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# Business Matters

## Tax-saving strategies for the year end

With the end of the tax year looming closer, you should ensure that you are taking advantage of the tax-saving opportunities available to you before 6 April 2013. Here we outline a selection of strategies that could help to boost your business and your personal wealth.

### Capitalise on allowances

Businesses can take advantage of a 100% Annual Investment Allowance on up to £25,000 of expenditure on most types of plant and machinery.

Making a purchase just before the end of the accounting year will typically mean that allowances will be available a year earlier, while disposing of an asset could trigger an earlier claim for relief (or an additional charge to tax). Spreading the cost of larger amounts of qualifying expenditure over two years could maximise the available relief. Please contact us for further advice.

### Defer dividend payments

With effect from 6 April 2013, the 50% 'additional' rate of income tax for higher earners will reduce to 45%, while the dividend additional rate will be set at 37.5%. Delaying the payment of dividends until the start of the new tax year could allow significant tax savings.

### Consider your family

Every individual is entitled to their own tax allowances and exemptions – including your children. The basic personal allowance for 2012/13 is £8,105 and by using the available personal allowances and gains exemptions, a couple and their two children could enjoy tax-free income and gains of at least £74,820, and income of up to £169,900, before paying higher rate tax.

Meanwhile, those earning between £100,001 and £116,210 could be paying an effective 60% tax rate on up to £16,210 of income. We can suggest strategies to avoid this charge, and maximise your family's income and wealth.

### Make tax-free savings

Individuals aged 18 or over can pay up to £11,280 into a tax-free Individual Savings Account (ISA). 16-17 year olds can invest up to £5,640 in a cash ISA, and under-18s who do not have a Child Trust Fund can also invest up to £3,600 in a Junior ISA.

### Don't waste the IHT annual allowance

Inheritance tax (IHT) is payable at 40% on the proportion of assets exceeding £325,000, which could include your home, savings, or shares and securities.

A range of exemptions and reliefs apply, including the annual exemption allowing gifts of up to £3,000 in total in each tax year, together with small gifts to individuals not exceeding £250 per recipient in any tax year. A programme of regular gifts out of surplus income could significantly reduce your taxable estate.

### Boost your retirement income

Saving into a personal or company pension scheme can afford tax breaks of up to 60% on your pension savings, and employers may also be able to contribute to the scheme (and obtain relief).

Pension contributions applying against 2012/13 income must be paid on or before 5 April 2013, and relief is limited to the greater of £3,600 (gross) or the amount of relevant UK earnings, and subject to an annual allowance capping pension savings at £50,000; unused allowances may be carried forward for up to three years, so allowances from 2009/10 will be lost unless used by 5 April 2013.

**Please contact us to find out more about the strategies that could help you and your business, ahead of the year end.**



## Inside this Issue...

*All change for PAYE – are you Real Time-ready?*

*Blog standard: Social media and your business*

*Changes to employment law*

*Business Round-Up*

*Web Watch*

*Reminders for your Winter Diary*





# All change for PAYE – are you Real Time-ready?

April 2013 sees the introduction of HM Revenue & Customs' (HMRC's) new Real Time Information (RTI) regime, heralding fundamental changes to the way in which employers and pension providers must report the payments and deductions they make under Pay as You Earn (PAYE).

## The current system

Under PAYE, employers deduct an appropriate amount of income tax and national insurance contributions (NICs) from employees' wages, in accordance with PAYE codes, tables and other instructions and procedures laid down by HMRC. Employers then add their own employer NICs and pay the total to HMRC, net of certain adjustments, every month or quarter.

However, it is not until the end of the tax year, when the annual return is completed, that the overall liability is reviewed and calculated. Under this system, inaccuracies can go undetected for a long time, with the result that individuals can go for extended periods inadvertently paying the wrong amount of tax.

## Working in real time

The new RTI regime aims to ensure that the correct deductions are made from pay, resulting in more individuals paying the right amount of income tax and NICs throughout the tax year.

RTI requires employers and pension providers to submit information to HMRC regarding deductions they have made for PAYE, NICs and student loans **when or before each payment is made**, rather than at the end of the year.

HMRC believes the new system will also make the reporting process simpler and less burdensome for employers, simplifying the PAYE end of year reconciliation process and removing the need to submit year end forms P14 and P35, and form P38A for casual employees.

## Types of RTI submission

### Full Payment Submission (FPS)

The FPS contains details of all employee payments and deductions, together with any new employees and those who have left the business.

An FPS is required **each time an employer makes a payment to an employee**, either at or before the time of payment, whether this is weekly or monthly, and it includes those whose income is below the lower earnings limit for NICs.

### Employer Alignment Submission (EAS)

This is used to match and align employee records with those held by HMRC. You will need to submit an EAS if you have a large PAYE scheme with over 250 employees, if your scheme is split between different payroll providers or you have two or more payroll systems, or

if you are unable to make a single FPS submission due to bandwidth restrictions.

### Employer Payment Summary (EPS)

An EPS can be submitted where no payments are made to any employees in a pay period, or to advise HMRC of an alteration to your overall PAYE and NIC liability, recover statutory payments, etc.

### National Insurance Number Verification Request

This allows employers to validate an employee's national insurance number, or to trace a number where it is not known.

### Earlier Year Update

This submission is used after 19 April to correct any of the year-to-date totals submitted in your final FPS for the previous tax year.

## Timescale for the changes

The new system is being phased in from April 2013 for all micro, small and medium-sized businesses and most large employers and payroll bureaux, and will be mandatory for all employers from October 2013. Businesses employing more than 5,000 people will arrange a 'migration date' between April and October with HMRC.

New PAYE schemes set up from November 2012 will be allowed to send payroll information in real time, as will employers joining HMRC's RTI trial before March 2013. In addition, existing employers who in 2012/13 use (or switch to) software which is RTI compliant will also be allowed to report using the new system. Small employers, with nine or fewer employees, can use the free HMRC Basic PAYE Tools package instead of commercial payroll software.

## Preparing for RTI

HMRC will notify employers 4-6 weeks before they must begin using RTI. However, it is important to prepare for the move ahead of time as you may need to change some of your systems and procedures.

This includes checking in advance that your payroll data is accurate and in an appropriate format for RTI. In addition, you should ensure that your payroll software (or provider) is capable of processing RTI data (or, if you do not use payroll software, that you are able to submit data to HMRC electronically by the deadline).

**We can offer assistance with your payroll function. Please contact us for further information.**

# Blog standard: Social media and your business



Used wisely, social media can have a number of positive benefits for businesses, including boosting sales, improving brand visibility, fostering customer loyalty, or monitoring and driving traffic to your website – and at a relatively low cost. However, there are some key points to consider before embarking on a social media campaign.

## 1. Think about your objectives

Think about what you are hoping to achieve, as well as the kind of image you want to project. Are you planning to increase sales, build on your brand, network with other businesses, or offer a forum for interacting with your customers?

## 2. Identify your target audience

Once you have established your objectives, you should identify your target audience, and the most appropriate channel for communicating with them. Would you be best suited to a regular blog or forum, a networking site such as LinkedIn or Facebook, or a real-time platform such as Twitter, allowing for immediate and frequent contact with your audience?

## 3. Consider your message

You need to have a clear message that will engage with your target audience. A good example of a contribution which genuinely adds value might be a weekly blog providing useful tips, resources or information.

## 4. Evaluate your resources

The immediacy of social media can be both a positive and a potential pitfall. Tweets, posts and blogs can quickly result in large amounts of unstructured data, and you must ensure you have the resources to manage your content, respond to feedback and provide regular updates – an out-of-date blog can be worse for your business image than no blog at all.

## 5. Create an official usage policy

Be aware that social media communications could potentially be regarded as business records, meaning you could be held legally responsible for their content. Consider establishing official 'business' accounts for social media, and introducing a correct usage policy.

*This article is for general guidance only. If you are in doubt over your legal obligations, you should consult a legal expert.*

# Are you up-to-date on the latest employment law changes?

What's new in the world of employment law? Here we consider the latest developments most likely to affect you and your business.

## New tribunal fees announced

In 2011 the Government unveiled plans to introduce fees for any employee wishing to raise a tribunal claim. The changes are designed to encourage businesses and workers to enter into mediation or settle a dispute rather than go to a full hearing.

Following a consultation, the Government has revised the fees originally set out in its proposals and, from Summer 2013, mediation by a judge will cost £600 rather than the £750 initially suggested.

Under the new system, there will be two 'levels' of claims as follows:

- **level 1 – straightforward claims** (e.g. unlawful deductions, notice pay and redundancy pay) will cost £160 to lodge the claim, with a further £230 hearing fee; and
- **level 2 – most other claims** (e.g. unfair dismissal, discrimination and equal pay) will attract a £250 fee to lodge the claim and an additional £950 hearing fee.

Fees to use the employment tribunal will be payable in advance, and most types of fee will only apply to the person bringing the claim. However the tribunal will have the power to order the unsuccessful party to reimburse the fee to the successful party.

The introduction of fees is part of a wider overhaul of employment law and the tribunals system.

## Compensated no-fault dismissals

Meanwhile, controversial plans to introduce no-fault dismissals have been abandoned after the

proposals failed to win the support of businesses.

The measure, which would have allowed small businesses to dismiss workers without giving a reason, was among the recommendations outlined in a report by the venture capitalist Adrian Beecroft.

The Government's aim to promote voluntary 'settlement agreements' is now being viewed as an alternative to the contentious no-fault dismissal measure. The agreements are a simplified version of compromise agreements and enable employers to encourage underperforming employees to leave in return for an agreed pay-off.

## EU ruling on sickness and annual leave

The European Court of Justice (ECJ) has clarified the law regarding holidays and sickness. Triggered by a case brought by unions in Spain, the ECJ ruled that employees who fall ill when on annual leave are entitled to reclaim the corresponding paid leave at a later point, irrespective of when they fell ill.

The judgement, which is legally binding throughout the EU, goes further than earlier rulings made by the ECJ. Previously the Luxembourg court stated that workers who became ill before the start of their paid annual leave had the right to take that leave at another time. However in its latest judgement, the ECJ claims that the point at which the illness arose is 'irrelevant.'

*This article is based on current understanding of employment law and the legislation may be subject to change. Please consult an expert if you are unsure of your legal obligations.*



**UPDATED**

# Business Round-Up

## New Companies House fees in place

Companies House has lowered the cost of setting up a limited company, along with the fees charged for some of its other services.

From October 2012, Companies House is using a new fee structure to reflect the reduced costs of providing its services electronically. Consequently, the cost of incorporating a new limited company via the Business Link online service has fallen from £18 to £15. The fee for incorporation via software filing has also been reduced, falling from £14 to £13 for all companies and LLPs.

Meanwhile, the cost of submitting an Annual Return for both limited companies and LLPs is now £13, instead of £14.

There has also been a reduction in fees for a number of search functions (such as documents, but not directors).

## Government unveils new 'business bank'

The Government recently confirmed its plans to introduce a new state-backed business bank, in a bid to boost lending to small and medium-sized businesses.

The bank will be backed by £1 billion of government money and hopes to attract

additional private sector funding, with the aim of supporting up to £10 billion of new and additional business lending when fully operational.

The bank will operate through the wholesale markets, and will not compete with existing commercial institutions.

Business groups have broadly welcomed the news, but have warned that further injections of funds will be necessary in order for the bank to successfully revitalise small businesses.

## Self Assessment – don't leave it too late!

The deadline for filing your tax return on paper may have passed, but there is still time to submit your return online and avoid a penalty.

The deadline for filing your 2012 tax return online is 31 January 2013. Failure to file the tax return by this date incurs a £100 penalty.

**File tax return  
31 January**

Where the return has still not been returned 3 months later, daily penalties of £10 per day will accrue, running for a maximum of 90 days. There will be further penalties of 5% of the tax due for the return period (or £300 if greater) for prolonged failures, which arise after 6 months and again after 12 months.

**We can prepare your tax return for you, file it with HMRC and advise on the appropriate payments to make.**

## Web Watch

Essential sites for business owners

[www.springwise.com](http://www.springwise.com)

A worldwide 'ideas database' for budding entrepreneurs and start-ups.

[www.bytestart.co.uk](http://www.bytestart.co.uk)

Information and advice on a range of business-related topics.

[www.hmrc.gov.uk/rti](http://www.hmrc.gov.uk/rti)

Details of the new real time system for reporting PAYE.

<http://odi.dwp.gov.uk>

Information on accessibility issues, including advice for SMEs.



## Reminders for your Winter Diary

### December

30 Last day for online submission of 2012 Tax Return for HMRC to collect tax through clients' PAYE code, where they owe less than £3,000.

31 Last day for non-EU traders to reclaim recoverable UK VAT suffered in the year to 30 June 2012.

End of relevant year for taxable distance supplies to UK for VAT registration purposes.

End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 December 2011.

### January 2013

1 Due date for payment of Corporation Tax for period ended 31 March 2012.

14 Due date for income tax for the CT61 quarter to 31 December 2012.

18/22 Quarter 3 2012/13 PAYE remittance due.

31 First self assessment payment on account for 2012/13.

Capital gains tax payment for 2011/12.

Balancing payment – 2011/12 income tax/ Class 4 NICs.

Last day to renew 2012/13 tax credits.

First payment due date for 2012/13 Class 2 NICs.

Deadline for amending 2010/11 Tax Return.

Last day to file the 2012 Tax Return online without incurring penalties.

### February

1 £100 penalty if 2012 paper Tax Return not yet filed. Additional penalties may apply for further delay. Interest starts to accrue on 2011/12 tax not yet paid.

2 Submission date of P46 (Car) for quarter to 5 January.

14 Last date (for practical purposes) to request NIC deferral for 2012/13.